

Message Text

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41

ACTION OPIC-12

INFO OCT-01 NEA-10 ADP-00 EB-11 L-03 TRSE-00 XMB-07 AID-20

/064 W

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R 311259 Z MAY 73

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 4665

UNCLAS NEW DELHI 6363

FOR OPIC

E. O. 11652: N/ A

TAGS: EAID

SUBJECT: MCNALLY BIRD ENGINEERING COMPANY COOLEY

LOANS 386- E 080/135

REFERENCE: STATE 102919

1. IF REFTEL REFERS TO LONG STANDING PROBLEM INVOLVING COMPANY, U. S. INVESTOR AND GOI OVER PROPOSED REDUCTION OF U. S. INVESTOR EQUITY THEN WE HAVE HAD NO DISCUSSIONS SINCE BEFORE JOURDIN' S VISIT SOME MONTHS AGO.

2. COMPANY WITHIN THE LAST FORTNIGHT SENT US LETTER NOTING THEIR PLANS FOR EXPANSION AND CONCURRENT DESIRE FOR FINANCING SAME FROM INTERNAL RESOURCES RATHER THAN RESORTING TO ADDITIONAL BORROWINGS. (SUCH ADDITIONAL BORROWINGS WOULD HAVE THE USUAL DEBT EQUITY CONVERSION CLAUSES IN THE LOAN AGREEMENTS FROM THE ALL- INDIA DEVELOPMENT BANKS. THIS IS UNDOUBTEDLY DEEMED UNATTRACTIVE BY THE COMPANY). SINCE THE COMPANY WILL NOT BE GENERATING ENOUGH CASH FLOW TO FINANCE THE EXPANSION AND SIMULTANEOUSLY REPAY THE COOLY LOAN, THE COMPANY SOUGHT AN EXTENDED LOAN REPAYMENT MORATORIUM. OUR INITIAL REACTION IS STRONGLY NEGATIVE SINCE THE FIRM IS IN GOOD FINANCIAL CONDITION. WE BELIEVE SUCH DEBT RELIEF MEASURES SHOULD BE CONSIDERED ONLY WHERE TEMPORARY FINANCIAL REVERSES CAUSE A PINCHED CASH FLOW. THE REQUESTED REPAYMENT DEFERMENT, IF GRANTED, WOULD UNCLASSIFIED

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BE AN EXTENSION OF ADDITIONAL CREDIT TO THE COMPANY AND THEREFORE A BACKDOOR AROUND THE GOI' S POLICY OF DEBT TO EQUITY CONVERSION CLAUSES IN PUBLIC INSTITUTIONAL BORROWINGS. ALSO CIRCUMVENTED WOULD BE THE U. S. POLICY OF SEEKING GOI NON- OBJECTION TO NEW

COOLEY CREDITS. OUR ABILITY TO GRANT DEBT RELIEF IN CASES WHERE
FINANCIALLY WARRANTED MIGHT BE JEOPARDIZED IF WE ALLOW THESE LONG
ESTABLISHED POLICIES TO BE CONTRAVENED. MOYNIHAN

UNCLASSIFIED

<< END OF DOCUMENT >>

Message Attributes

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Disposition Event:
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ISecure: 1
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